# Global Knowledge Center

# Doing Business in India

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INTERNATIONAL
**T R A D E**
ADMINISTRATION

U.S. COMMERCIAL SERVICE
United States of America
Department of Commerce

# Outline

- Overview of doing business with India
- Opportunities for U.S. companies in India
- Challenges of doing business in India
- Global Markets and sources available for U.S. companies
- Questions & Answers

# Map of India

# Why India?

- India, the world's fastest growing free-market democracy, presents lucrative opportunities for American companies from practically all industrial and services sectors

- According to a McKinsey report, India's middle class, which was 50 million in 2005, would jump to about 583 million by the end of 2025

# India's Horizons



## 2014

- India is the 10th largest economy in the world

- Private savings equals 34% of GDP, second only to China

- 10th largest importer for merchandise goods in the world



## 2025

- India will be 3rd largest economy in the world

- 250 million new workforce

- Urban population to contribute 70% of the GDP

## Fact Sheet

### General Data

| | |
|---|---|
| Official name: | Republic of India |
| Capital: | New Delhi (13.8 m) |
| Other cities: | Greater Mumbai (16.4 m) |
| | Kolkata (13.2 m) |
| | Bangalore (5.7m) |
| Area (km2): | 3,166,414 |
| Population (million, 2013 est.): | 1,243 |
| Population density (per km2, 2012): | 392.7 |
| Population growth rate (%, 2012 est.): | 1.3 |
| Life expectancy (years, 2012 est.): | 67.1 |
| Illiteracy rate (%, 2001): | 39.0 |
| Language: | Hindi, English and |
| | 21 other official languages |
| Measures: | Metric system |
| Calendar: | Year begins on 21 or |
| | 22 March of Gregorian calendar |
| Time: | GMT+5.30 |

### India in the Region

Population | %-share in Asia

GDP | %-share in Asia

Waterways (km): 14,500
Chief Ports: Mumbai, Chennai, Kolkata

**Political Data**

| | |
|---|---|
| Prime Minister: | Manmohan Singh |
| Last elections: | 16 April - 13 May 2009 |
| Next elections: | 7 April - 12 May 2014 |
| Central Bank Governor: | Raghuram Rajan |

**Long-term Foreign Currency Ratings**

| Agency | Rating | Outlook |
|---|---|---|
| Moody's: | Baa3 | Stable |
| S&P: | BBB- | Negative |
| Fitch Ratings: | BBB- | Stable |

**Strengths** | **Weaknesses**

- Huge domestic market
- Skilled labor force in key industries, particularly software
- High catch-up growth potential

- Excessive bureaucracy
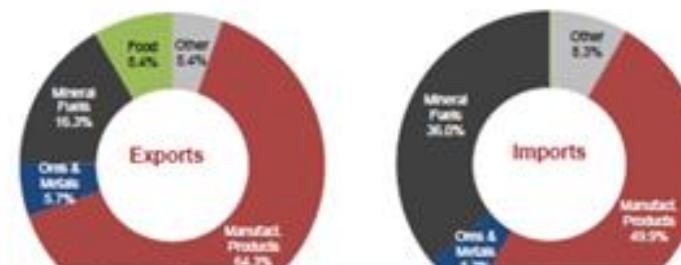- Protectionist trade policy
- Weak infrastructure

Primary markets | share in %

Exports

Imports

Primary products | share in %

Exports

Imports

# Trends



GDP (PPP) $4.7 trillion

Growth rate at 5%

7th largest country

1.21 billion population

464 million between 15-34 years by 2020

Burgeoning middle class

Urbanization on increase

Greater rural spending

*PicCourtesy:Manipuronline,qz.com,autoevolution.com*

# U.S Exports to India



**United States Export Statistics To India**
**Commodity: _Total, All Commodity Chapters**

**Calendar Year: 2011 - 2013**

| Rank | Commodity | Description | United States Dollars | | | % Share | | | % Change 13/12 |
|------|-----------|-------------|------|------|------|------|------|------|------|
| | | | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | |
| | _Total | All Commodity Chapters | 21,503,543,625 | 22,105,458,269 | 21,875,306,697 | 100.00 | 100.00 | 100.00 | - 1.04 |
| 1 | 71 | Nat Etc Pearls, Prec Etc Stones, Pr Met Etc: Coin | 4,619,660,072 | 5,836,072,737 | 5,763,709,726 | 21.48 | 26.40 | 26.35 | - 1.24 |
| 2 | 88 | Aircraft, Spacecraft, And Parts Thereof | 771,878,938 | 1,373,946,288 | 3,002,842,035 | 3.59 | 6.22 | 13.73 | 118.56 |
| 3 | 84 | Nuclear Reactors, Boilers, Machinery Etc.; Parts | 2,911,005,153 | 2,658,533,663 | 2,257,146,490 | 13.54 | 12.03 | 10.32 | - 15.10 |
| 4 | 85 | Electric Machinery Etc; Sound Equip; Tv Equip; Pts | 1,533,798,481 | 1,398,002,756 | 1,311,721,720 | 7.13 | 6.32 | 6.00 | - 6.17 |
| 5 | 90 | Optic, Photo Etc, Medic Or Surgical Instrments Etc | 1,181,793,526 | 1,241,675,122 | 1,285,342,592 | 5.50 | 5.62 | 5.88 | 3.52 |
| 6 | 27 | Mineral Fuel, Oil Etc.; Bitumin Subst; Mineral Wax | 1,750,624,829 | 1,628,223,088 | 1,267,101,165 | 8.14 | 7.37 | 5.79 | - 22.18 |
| 7 | 29 | Organic Chemicals | 919,558,606 | 884,912,102 | 816,043,953 | 4.28 | 4.00 | 3.73 | - 7.78 |
| 8 | 39 | Plastics And Articles Thereof | 809,987,649 | 708,703,288 | 683,464,528 | 3.77 | 3.21 | 3.12 | - 3.56 |
| 9 | 38 | Miscellaneous Chemical Products | 620,993,079 | 541,768,179 | 551,777,809 | 2.89 | 2.45 | 2.52 | 1.85 |
| 10 | 08 | Edible Fruit & Nuts; Citrus Fruit Or Melon Peel | 408,460,581 | 441,281,007 | 452,727,928 | 1.90 | 2.00 | 2.07 | 2.59 |
| 11 | 47 | Wood Pulp Etc; Recovd (Waste & Scrap) Ppr & Pprbd | 449,871,064 | 419,938,364 | 423,198,866 | 2.09 | 1.90 | 1.93 | 0.78 |

# U.S. Imports from India



**United States Import Statistics From India**
**Commodity: _Total, All Commodity Chapters**

**Calendar Year: 2011 - 2013**

| Rank | Commodity | Description | United States Dollars | | | % Share | | | % Change 13/12 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | |
| | _Total | All Commodity Chapters | 36,155,506,410 | 40,514,116,474 | 41,828,965,802 | 100.00 | 100.00 | 100.00 | 3.25 |
| 1 | 71 | Nat Etc Pearls, Prec Etc Stones, Pr Met Etc; Coin | 8,012,699,836 | 7,161,223,175 | 9,243,514,452 | 22.16 | 17.68 | 22.10 | 29.08 |
| 2 | 30 | Pharmaceutical Products | 3,212,773,464 | 4,223,475,421 | 4,471,254,585 | 8.89 | 10.42 | 10.69 | 5.87 |
| 3 | 27 | Mineral Fuel, Oil Etc.; Bitumin Subst; Mineral Wax | 3,187,442,170 | 3,261,416,842 | 3,934,929,217 | 8.82 | 8.05 | 9.41 | 20.65 |
| 4 | 29 | Organic Chemicals | 1,982,448,650 | 2,177,902,132 | 2,187,032,007 | 5.48 | 5.38 | 5.23 | 0.42 |
| 5 | 63 | Textile Art Nesoi; Needlecraft Sets; Worn Text Art | 1,754,256,541 | 1,939,926,583 | 2,107,134,441 | 4.85 | 4.79 | 5.04 | 8.62 |
| 6 | 62 | Apparel Articles And Accessories, Not Knit Etc. | 1,905,359,997 | 1,834,259,577 | 1,872,840,889 | 5.27 | 4.53 | 4.48 | 2.10 |
| 7 | 84 | Nuclear Reactors, Boilers, Machinery Etc.; Parts | 1,790,669,121 | 2,157,149,026 | 1,869,468,295 | 4.95 | 5.32 | 4.47 | - 13.34 |
| 8 | 13 | Lac; Gums, Resins & Other Vegetable Sap & Extract | 1,035,714,263 | 3,522,325,572 | 1,781,579,827 | 2.86 | 8.69 | 4.26 | - 49.42 |
| 9 | 61 | Apparel Articles And Accessories, Knit Or Crochet | 1,465,342,318 | 1,254,769,382 | 1,383,317,055 | 4.05 | 3.10 | 3.31 | 10.24 |
| 10 | 85 | Electric Machinery Etc; Sound Equip; Tv Equip; Pts | 1,476,311,824 | 1,471,481,009 | 1,270,476,113 | 4.08 | 3.63 | 3.04 | - 13.66 |
| 11 | 73 | Articles Of Iron Or Steel | 1,268,040,978 | 1,468,299,779 | 1,192,249,915 | 3.51 | 3.62 | 2.85 | - 18.80 |

# THE CONSUMER STORY

Young adults living at home with higher levels of disposable income than their U.S. peers

Explosive growth in the formal retail sector

Strong demand outside major cities

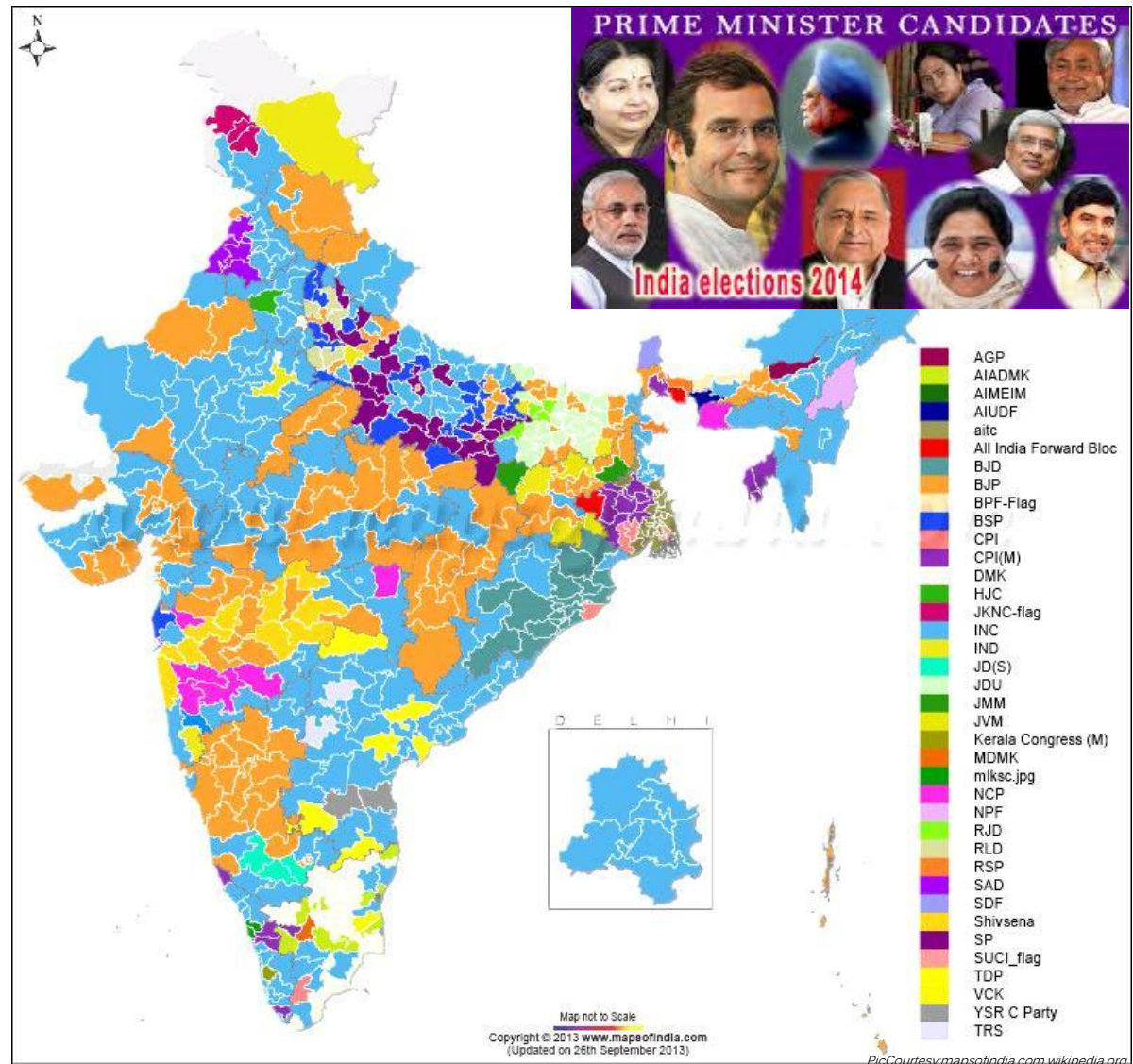Name-brand recognition, sophisticated preferences and potential for luxury brands

# Political Scenario
# Parliamentary Election results on May 16, 2014



- More than 50 political parties

- Highly Contested Election

- Regional dominance

- Increase in popularity of anti-corruption movement

# India's Election

- *Over 814 million voters in India will elect 543 members of the Lok Sabha, the lower house of Parliament. The majority party of the Lok Sabha will select the next Prime Minister of India to govern the country for a five-year term. The election is held in phases over six weeks. Results are expected on May 16.*

- 

- *India has a multiparty system with more than 50 regional political parties and two national political parties. The national parties are:*

- *The Indian National Congress (Congress), which was formed during British rule and gave rise to the Nehru and Gandhi dynasty, and*

- *The Bharatiya Janata Party (BJP), which has roots in Hindu nationalist organizations. The BJP had won the 1998 elections and remained in power until 2004.*

- *The parties are locked in a tense battle for control of the next national government.*
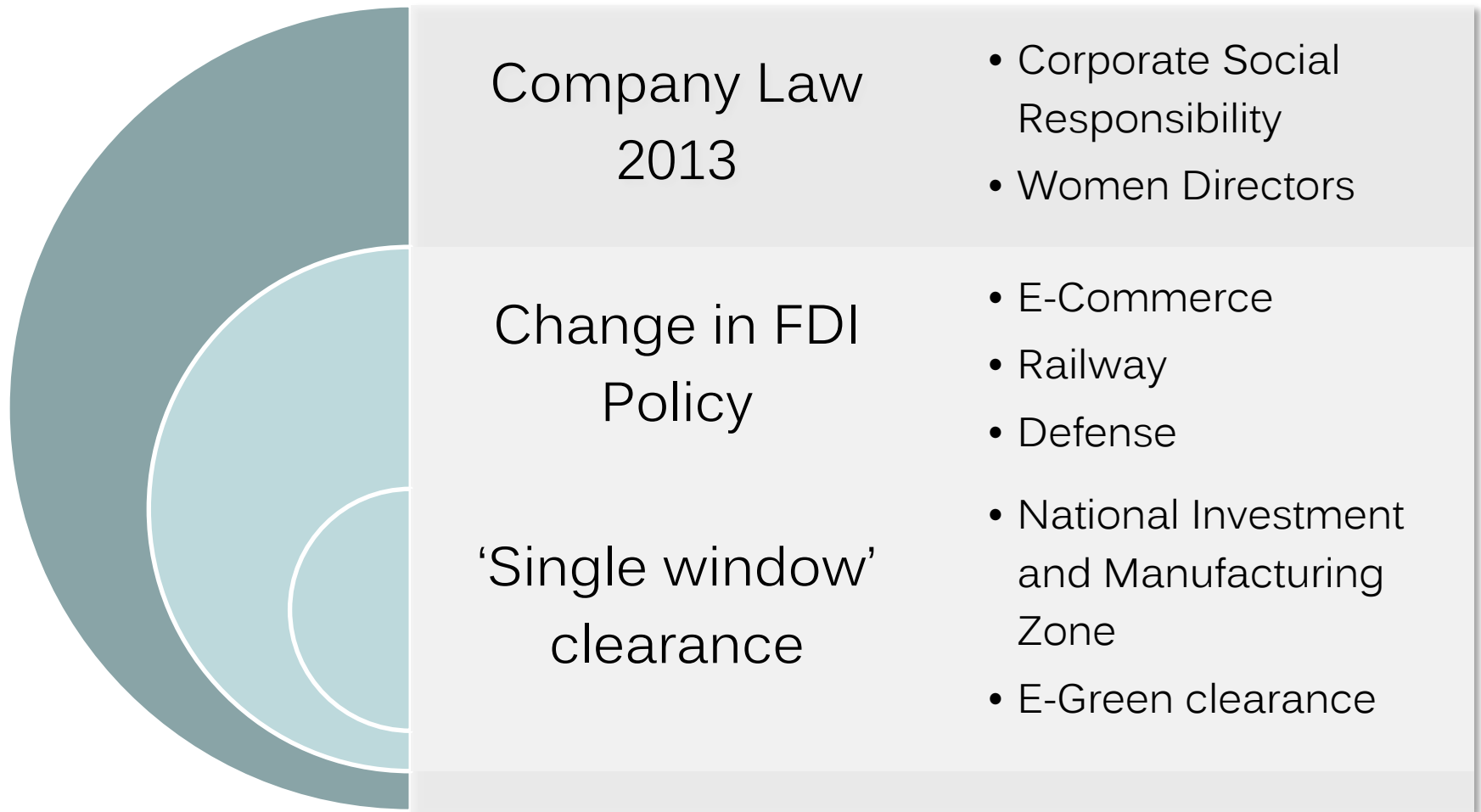
# The Booming Market of India's Tier II & III Cities

# India's Tier II & III Cities

- Pune
- Chandigarh
- Jaipur
- Ahmedabad
- Lucknow
- Ludhiana
- Kochi
- Vijaywada
- Vizag
- Nagpur
- Patna
- Surat
- Coimbatore
- Jamshedpur
- Amritsar
- Trivandrum
- Nasik
- Bhopal
- Indore
- Vadodara
- Kanpur
- Madurai

# Changing Policy Paradigm

| | |
|---|---|
| Company Law 2013 | • Corporate Social Responsibility<br>• Women Directors |
| Change in FDI Policy | • E-Commerce<br>• Railway<br>• Defense |
| 'Single window' clearance | • National Investment and Manufacturing Zone<br>• E-Green clearance |

# Growth sectors

## Civil Aviation & Defense

- 9th biggest Aviation market and is expected to become the 3rd largest by 2020.
- Presence of major U.S aviation and defense firms in India.
- G2G engagement as the Aviation Cooperation Program to promote Aviation standards in Safety and Security.
- India is the second largest FMS (Foreign Military Sales) customer of U.S.
- Significant Direct Commercial sales in Defense.

## Healthcare

- Healthcare market - $77 billion
- Number of physicians –600,000
- Pharmaceutical market - $17 billion
- Medical Device market - $3.2 billion
- Biotech market - $3.2 billion
- Diagnostics market: $2.4 billion
- 74% of Indian healthcare market spending is private compared to 47% in the USA. Only 3.5% of Indians enjoy any kind of health insurance.

*PicCourtesy:Aviation.com;wabe.org*

# Growth sectors

## Infrastructure

- Spending of more than $1 trillion in Infrastructure sector.

- The sector is expected to grow @ 35% by 2015.

- Mega infra-structure project of USD 90 billion to build new Cities & Industrial establishments along Delhi-Mumbai Corridor.

- Proposed High speed rail system to connect Tier1-2 cities.

## Renewable Energy

- India's among top 5 countries with current installed capacity of power generation from renewable energy is at 26,920 MW.

- Estimated $1.2 trillion investment required over the next 25 years to provide electricity to consumers at an affordable cost.

- India added 61,595 MW of capacity to its energy mix, in last 5 years.

- Focus on achieving capacity of generating 75,785 MW of power by 2017.

# Growth sectors

## Education

- Indian education market estimated at a potential value of $28 billion.

- The Government of India (GOI) aims to increase gross enrollment ratio in higher education to 30% by 2020.

- India has a severe shortage of higher education institutions for its booming population where more than 30% of its 1.1 billion people are less than 14 years .

- Though 100% FDI is allowed in the education sector.

## Tourism

- In 2013 over 800,000 are expected to have visited the U.S.

- Spending by Indian travelers estimated over $5.5 billion, in 2013

- Visit USA Committee and Brand USA's focus is to bring one million tourists from India to the U.S. by 2015.

- Focus to encourage more MICE (Meetings, Incentives, Conventions and Exhibitions) Travel.

- As a direct result of our MICE focus since May 2013, U.S. mission in India has facilitated travel for over 1,100 MICE travelers who have spent nearly $7 million.

*PicCourtesy:unicef;sycrause.com*

# Challenges of Doing Business

Bureaucracy & Red Tape

Sluggish Judiciary

Corruption

Domestic Content Requirement

Lack of Basic Infrastructure

Expensive Credit

High Inflation

Intellectual Property
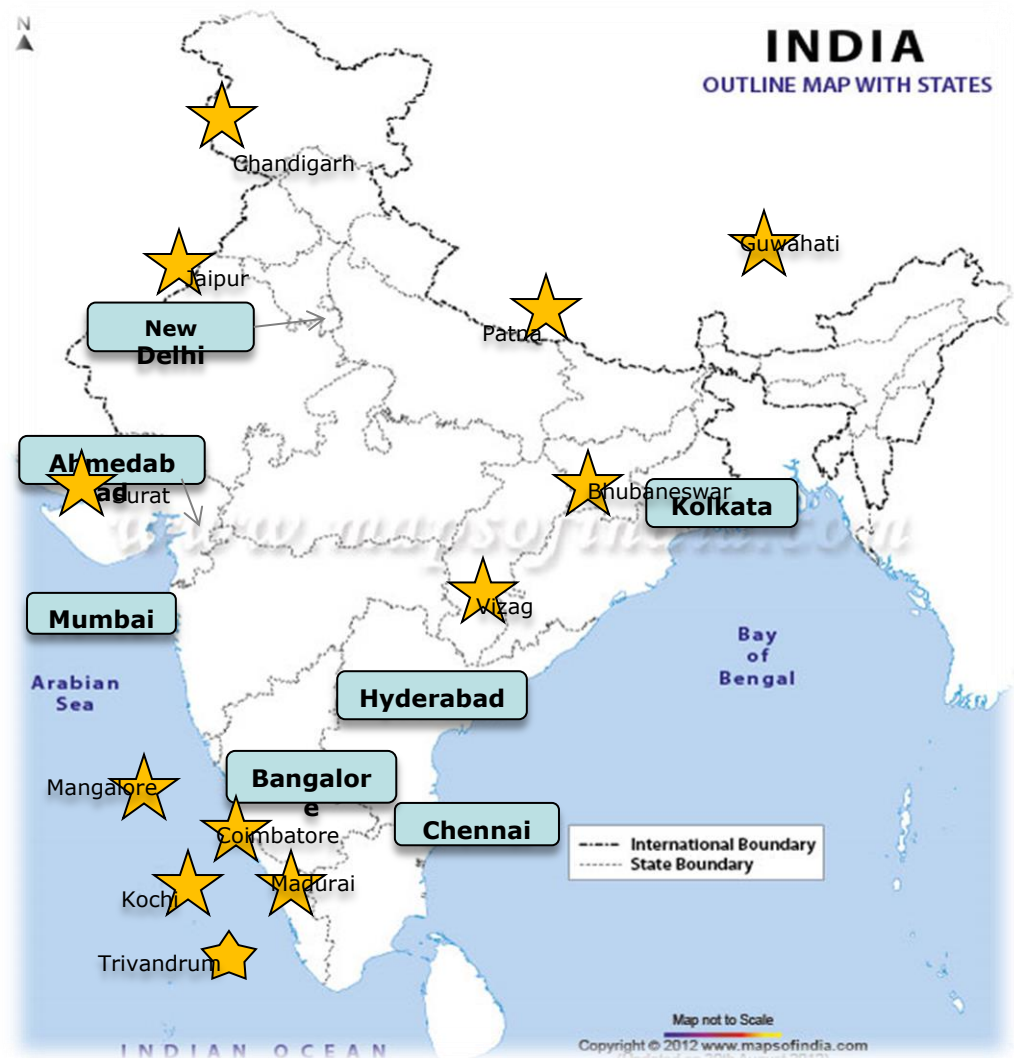
Onerous Government Tenders

Selection of Local Partner

Varied Tax structure

# U.S. Commercial Service in India

U.S Commercial Service has 7 offices through out India.

U.S Commercial Service also works in tandem with local business associations at 'American Business Corners'.



INDIA
OUTLINE MAP WITH STATES

Chandigarh

Guwahati

Jaipur

New Delhi

Patna

Ahmedab ad

Surat

Bhubaneswar

Kolkata

Mumbai

Vizag

Arabian Sea

Hyderabad

Bay of Bengal

Mangalore

Bangalore

Coimbatore

Chennai

International Boundary
State Boundary

Kochi

Madurai

Trivandrum

INDIAN OCEAN

Map not to Scale
Copyright © 2012 www.mapsofindia.com

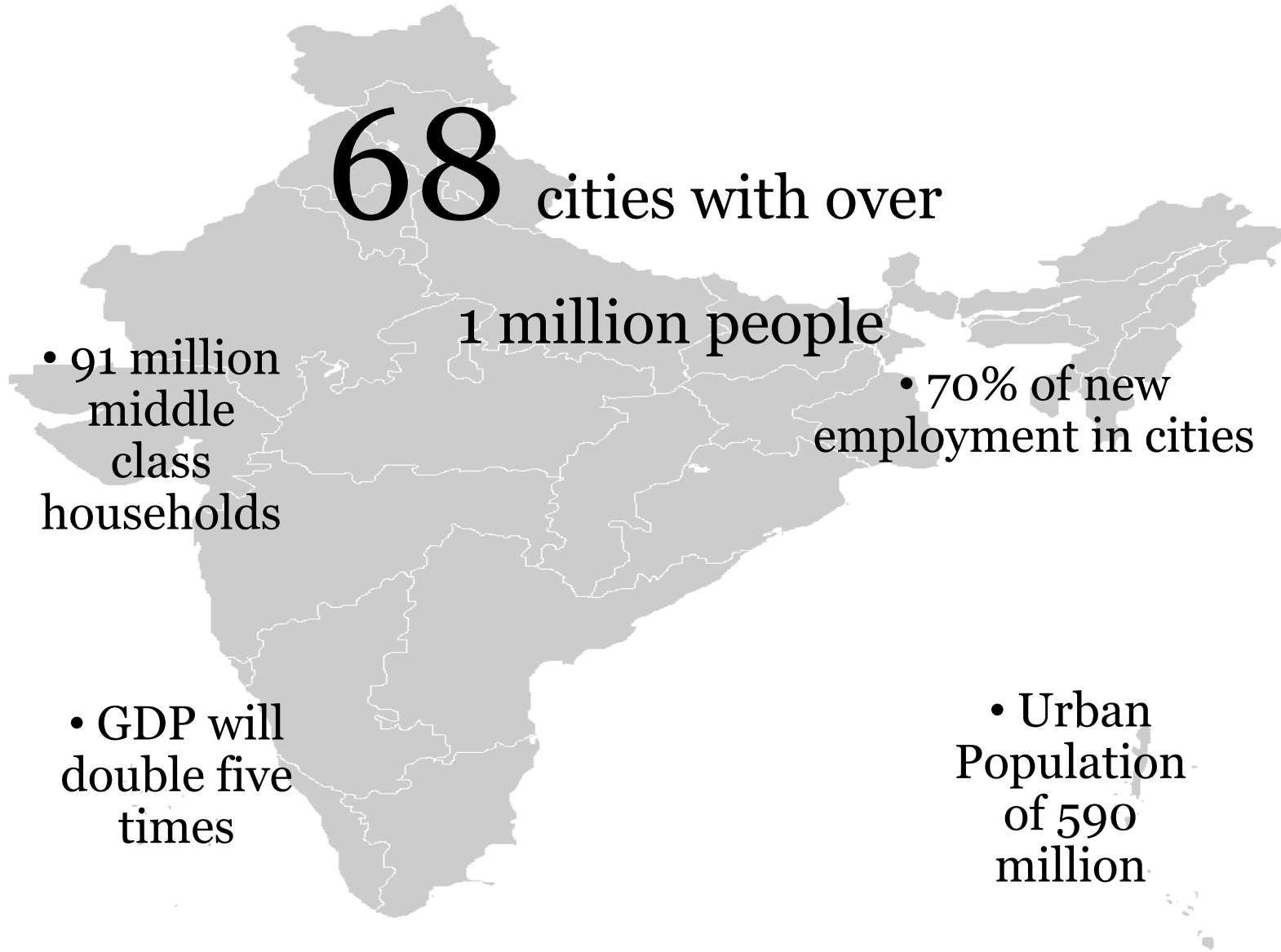# By 2030, India will have…

68 cities with over

1 million people

- 91 million middle class households
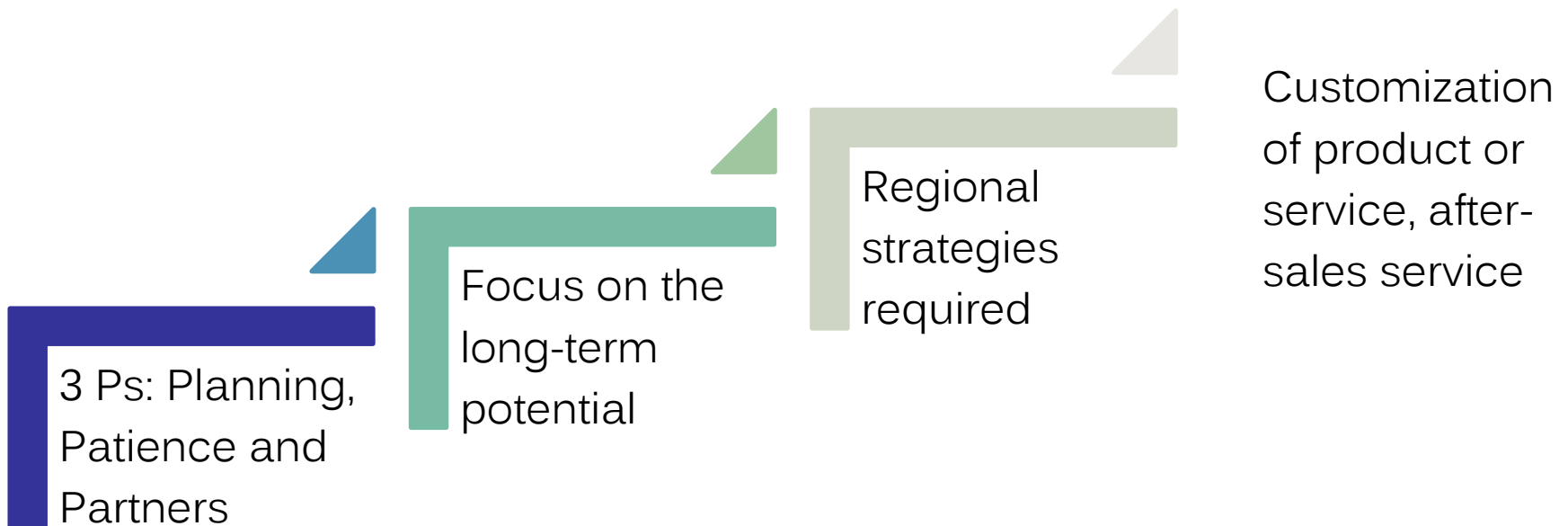
- 70% of new employment in cities

- GDP will double five times

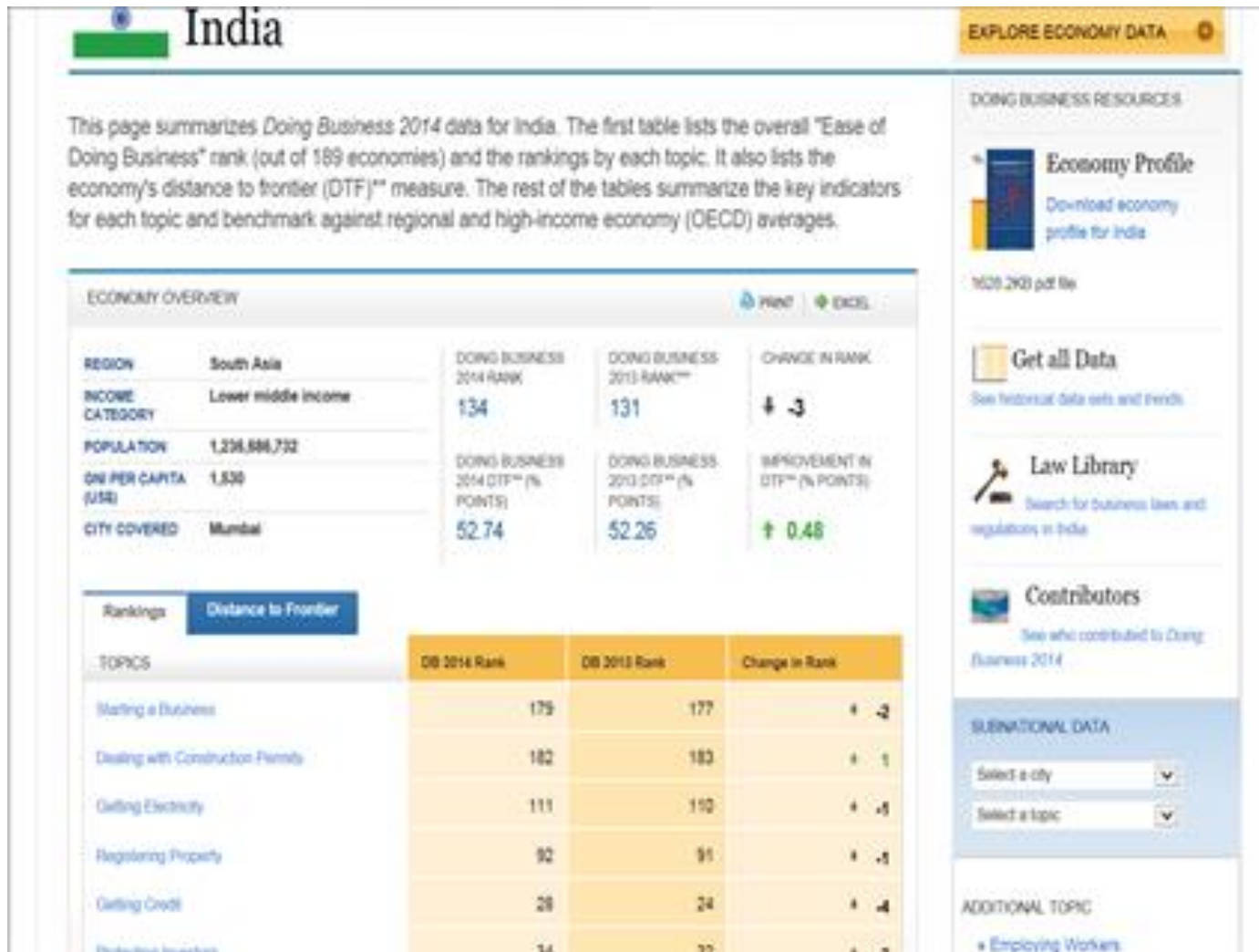- Urban Population of 590 million

# The Success Mantra

- Contact U.S. Commercial Service
- Identify key local partner or master distributor
- Business opportunities in 2nd and 3rd tier cities
- Address after-sales service a key issue for U.S. companies

3 Ps: Planning, Patience and Partners

Focus on the long-term potential

Regional strategies required

Customization of product or service, after-sales service

# Doing Business Index

# What Global Market Network Can Do For You

- Trade specialists in 100 U.S. cities and more than 150 posts in 80 countries worldwide...

  We can...

- Locate international buyers, distributors & agents
- Provide expert help at every stage of the export process
- Help you to enter new markets faster and more profitably

# Questions?